

2012 ANNUAL REPORT



*"You don't earn loyalty in a day.
You earn loyalty day-by-day."* — Jeffrey Gitomer

Supervisory Committee Report

The Supervisory Committee of Western Federal Credit Union (Western) works in conjunction with the Board of Directors to monitor and review the Credit Union's accounting procedures and practices. Our goal is to ensure that all fiscal operations are performed accurately and in compliance with the Credit Union's Charter and federal regulations. The Supervisory Committee is also present at the monthly Board of Directors' meetings and any special meetings called by the Chairman.

To assist the Supervisory Committee in monitoring Western's fiscal activities, we retained the services of Crowe Horwath, Certified Public Accountants, to perform an audit of the financial statements and records. This audit is performed in addition to the National Credit Union Administration's regulatory examination. A complete copy of the audited financial statements can be obtained by calling 310-381-2300 or 877-254-9328.

The Supervisory Committee is pleased to report that your Credit Union is financially strong and its fiscal operations are performed accurately and in compliance with the Credit Union's Charter, federal regulations, and sound business practices.

On behalf of the Supervisory Committee, it has been a pleasure to serve the membership this past year.

Respectfully submitted,



Dave Clement
Chairman

Chief Executive Officer's and Chairman's Joint Message

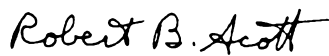
Member loyalty—this is what has and will continue to sustain Western. Although the economic recovery has been slow, Western continued to achieve solid financial results in 2012 with Total Shares and Total Loans increasing to \$1.6 billion and \$1.1 billion, respectively, while Net Equity reached \$159 million, an increase of 6% over year-end 2011. These results could not be possible if it were not for members who consider Western when seeking financial products and services. While it is understood that the Credit Union may not always be able to fulfill all your financial service needs, it is your loyalty and consideration that Western seeks.

As a result, when members consider Western, it allows the Credit Union to not only achieve solid financial results, but more importantly, give back to our members, the communities and the companies we serve as demonstrated by the following:

- The Northern California branch network was expanded with the merger of California Pacific and CD Federal Credit Unions to Western's field of membership. Both credit unions, which were headquartered in Concord, CA, have several branch locations in the Concord and Brentwood areas providing members with additional branch access.
- The eBanking platform was upgraded to include functionality and features desired by members including customizable dashboards, reports, and alerts.
- The branch network within Toyota Motor Manufacturing facilities was expanded and now includes worksite branches in Huntsville, AL and Buffalo, WV.
- The ATM network continued to be upgraded with new image deposit units replacing outdated envelope deposit machines.
- Personal Teller Machines were added to retail and sponsor branch locations to provide additional and extended branch support.
- Business services continue to be expanded to new markets with these services now offered in Ventura County, CA as well as Northwest Arkansas.

Earning member loyalty will continue to be a priority for the Board of Directors and Senior Management Team of Western. We understand that you have options when selecting a financial service provider and appreciate the consideration you give to Western.

On behalf of the Board of Directors, we thank you for your participation and support.

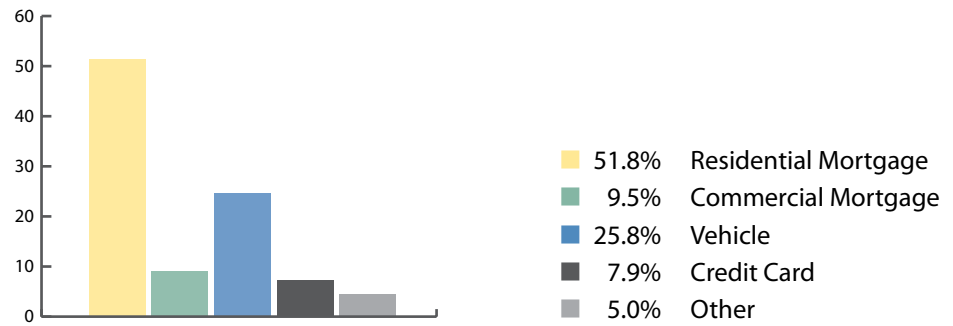


Robert B. Scott
Chairman of the Board

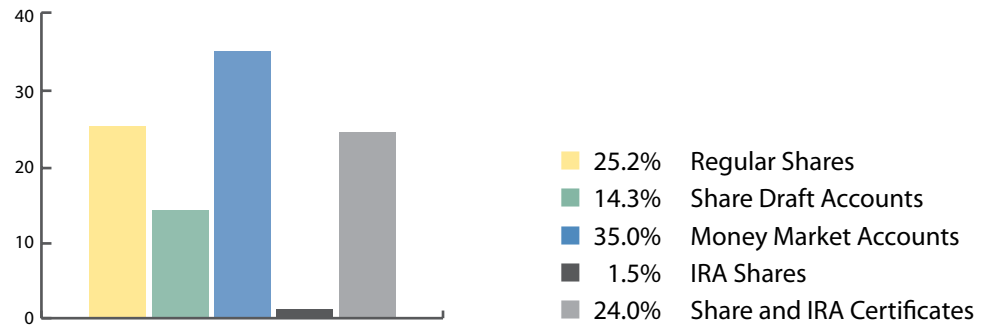


John A. Bommarito
Chief Executive Officer

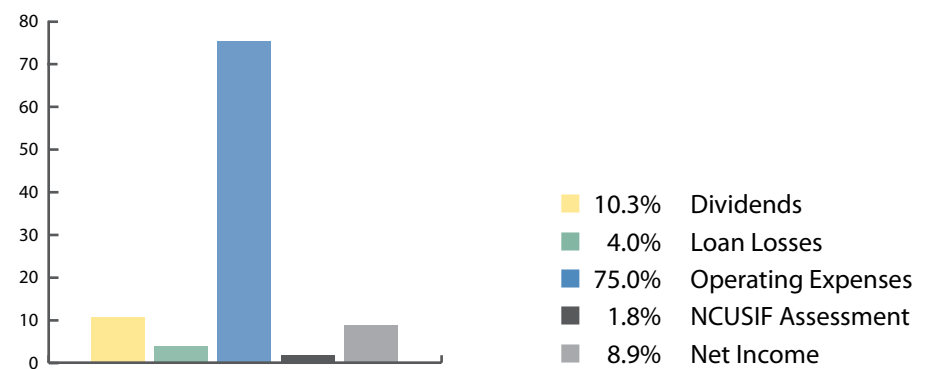
Distribution of Loans



Distribution of Members' Shares



Distribution of Operating Income



Western Federal Credit Union and Subsidiary
Consolidated Statements of Financial Condition—December 31, 2012 and 2011

		<u>2012</u>	<u>2011</u>
Assets	Cash and cash equivalents	\$ 105,315,634	\$ 108,159,703
	Investments		
	Available-for-sale	522,923,460	508,759,743
	Held-to-maturity	34,252	36,302
	Other	100,102,682	63,914,904
	Loans, net	1,038,771,535	915,068,178
	Accrued interest receivable	4,956,177	5,185,146
	Property and equipment, net	36,246,375	31,577,496
	Share insurance deposits	16,095,720	14,251,256
	Other assets	14,065,288	16,116,202
	Total Assets	\$ 1,838,511,123	\$ 1,663,068,930
Liabilities and Members' Equity	Liabilities		
	Members' shares	\$ 1,643,511,151	\$ 1,484,092,215
	Accrued expenses and other liabilities	35,993,655	29,117,117
	Total Liabilities	1,679,504,806	1,513,209,332
	Commitments and contingent liabilities		
	Members' equity		
	Retained earnings	163,110,205	155,389,335
	Accumulated other comprehensive income (loss)	(4,103,888)	(5,529,737)
	Total Members' Equity	159,006,317	149,859,598
	Total Liabilities and Members' Equity	\$ 1,838,511,123	\$ 1,663,068,930

Western Federal Credit Union and Subsidiary
Consolidated Statements of Income—for the Years Ended December 31, 2012 and 2011

		<u>2012</u>	<u>2011</u>
Interest Income	Interest on loans	\$ 55,564,241	\$ 53,941,113
	Interest on investments and cash equivalents	6,534,925	8,767,096
		62,099,166	62,708,209
Interest Expense	Members' shares	8,973,593	12,328,959
Net Interest Income		53,125,573	50,379,250
Provision for Loan Losses		3,553,776	7,567,422
Net Interest Income After Provision for Loan Losses		49,571,797	42,811,828
Non-Interest Income	Fees and other non-interest income	23,240,827	19,047,872
	Gains on bargain purchase	1,815,365	4,404,953
		25,056,192	23,452,825
Non-Interest Expense	Salaries and benefits	33,845,696	29,012,482
	Operations	26,820,820	21,100,371
	Occupancy	4,711,510	4,345,828
	NCUSIF premium assessment	1,529,093	3,562,814
Total Non-Interest Expense		66,907,119	58,021,495
Net Income (Loss)		\$ 7,720,870	\$ 8,243,158

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